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The Secretariat,
UK Transition Plan Taskforce

Email via secretariat@transitiontaskforce.net **Date:** 13 July 2022

Dear Co-Chairs,

Re: Railpen's response to the UK Transition Plan Taskforce's Call for Evidence on a Sector-Neutral Framework for private sector transition plans

Summary Response

Railpen broadly supports the proposed definition of a transition plan as a starting point while recommending a forward-looking approach to transition planning standards and practices. We respond to the individual Call for Evidence questions below, and take an opportunity here to draw the Taskforce's attention to certain key points:

Science-based target setting. We recommend the explicit use of internationally accepted science-based targets in transition plans for firms.

Holistic approach. We highlight the growing importance of the social impact of the climate transition and recommend the holistic incorporation of 'Just Transition' considerations into the transition planning process. In particular, we would advocate a focus on decarbonisation strategies, capital allocation as well as biodiversity risks and their inclusion in the transition plan. We recommend companies consider and report based on issues that are financially material to the business but also to the environment, market and society. These should include systemic considerations, for example: price fluctuations for assets relevant to their business.

Prioritising sectors for sectoral transition plan templates. In terms of collaboration, leveraging existing resources and standardising the process over the longer term, we recommend prioritising sectors based on financed emissions as per the IIGCC Net Zero Investment Framework (NZIF) and using NACE and GICS sector codes for non-financial corporate sector priority. For financial sectors, we recommend prioritising this in conjunction with the development of Scope 3 emissions definitions and methodology and the agreed consultation and approval of the GFANZ guidance. We highlight the key suggestions that we plan to propose in the GFANZ consultation as well.

Use of existing frameworks and Scope 3 emissions. On existing resources for alignment assessment, we highlight Railpen's proprietary CRIANZA framework amongst others and would welcome the opportunity to discuss this in further detail with the TPT. We advocate explicitly including material Scope 3 emissions targets to enhance the impact and credibility of the TPT framework.

Principles and elements of a Sector Neutral Framework. We recommend a flexible, forward-looking and practitioner-led approach to the Sector-Neutral Framework. This would include standard emissions data and consistent metrics, balanced with prescriptive sector-level templates to capture sector considerations, while maintaining higher levels of consistency and comparability.

We agree with the three proposed principles for transition planning and strongly recommend two additional principles encompassing the Just Transition and biodiversity considerations, and a third additional principle to incorporate engagement and stewardship feedback in the transition plan. We view the evaluation and the considered incorporation of climate stewardship, engagement and voting discussions to be essential for users and preparers in transition planning.

These three new 'must-have' principles are in addition to TPT's proposed principles. We are broadly in agreement with the selection of elements and sub-elements of the proposed transition planning framework. On the elements themselves, we see them as highly relevant and action-oriented, which is positive. We recommend the addition of three new elements to assist users with context and comparability. These additional elements are (i) a firm's current emissions profile, (ii) specific transition risks and (iii) long-term vision.

A learn-and-evolve approach to global corporates. On global companies with multi-jurisdictional operations, we acknowledge the challenges today of the fragmented nature of regional targets and pathways and modelling approximations currently. We recommend that the TPT use transition plans, especially from global corporates, to obtain more regional intelligence through the sectoral templates. This would assist both users and preparers in their analysis, modelling, and also provide lead-ins for broader collective policy engagement.

Standardised format and location of transition plan disclosures. Along with the context and mapping of the proposed Sector-Neutral Framework to existing disclosure standards (TCFD, ISSB), we recommend disclosures are located in mainstream corporate disclosures such as the Annual report and/ or 10K filings. We recommend using formats that promote consistent language in documents and sectionalisation to enable machine reading, natural language processing (NLP) and ease of dataset creation for automated review and analysis.

About Railpen

Railpen is the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Railpen acts as the investment manager for the railways pension schemes and is responsible for the management of around c. £37 billion of assets on behalf of over 350,000 members. We also operate as an authorised master trust in respect of our Industry-Wide Defined Contribution arrangement that operates for the benefit of members with c. £1.7bn of DC funds included in our total assets under management.

Railpen's purpose is to secure our members' futures. We welcome the opportunity to respond to this important consultation and have answered the queries raised in the consultation in a way which reflects the breadth and depth of our responsibilities.

'Sustainable Ownership' is Railpen's approach to incorporating sustainability considerations into the investments it manages on behalf of members. Railpen's work is enabled by the Trustee's related investment belief: "Incorporating and acting upon climate risk and other environmental, social and governance factors are significant drivers of investment outcomes and part of our fiduciary duty".

We think it is important to talk to, and hear from, members regarding the sustainable ownership work we do on their behalf and produce a wide variety of dedicated reports. You can find out more about our work, including through our 2021 TCFD Report, 2021 Net Zero Plan, 2020 Stewardship Report and 2020 Sustainable Ownership Member Review – created to be as accessible to members as possible – on our website.

As one of the largest UK pension funds, and one of the few remaining occupational pension schemes with open, immature, Defined Benefit (DB) sections, we recognise the impact of climate change on our long-term investments and contribute positively to the kind of world into which our members retire. As well as encouraging our portfolio companies to report against the TCFD framework, we recently supported the Railways Pension Scheme (RPS) with the production of its first full 2021 TCFD report.

We have supported the government's work to encourage more schemes to i) incorporate climate change risks and opportunities in their investments and ii) act as robust stewards. We recognise that companies are required to produce significant levels of disclosure on their climate transition activities and therefore welcome the Transition Planning Taskforce (TPT)'s Call for Evidence proposal to develop a sector-neutral framework for climate transition plans in a way that seeks to standardise and aid investor and member understanding of complex topics.

Our response

In this section, we provide the answers to the specific questions asked. We have split the response into answers to the twenty-two questions in the consultation. Where the consultation questions themselves summarise the proposals, we have condensed to aid readability. The responses build on our Net Zero Plan, climate-related engagement, Voting Policy and TCFD reporting.

Answers to consultation questions

Q1. Do you agree with the proposed definition of a transition plan? If not, why, and what alternative definition would you suggest?

The Call for Evidence defines a transition plan as below:

> "A transition plan sets out how an organisation will adapt as the world transitions towards a low carbon economy. It should set out a) high-level targets the organisation is using to mitigate climate risk, including greenhouse gas reduction targets (e.g. a net-zero commitment), b) interim milestones, and c) actionable steps the organisation plans to take to hit those targets."

Railpen broadly supports this definition as a starting point. However, we see a few key, fast-emerging considerations around transition planning and recommend a forward-looking approach that incorporates these into the definition

- We highlight the growing importance of the social impact of the climate transition and recommend the holistic incorporation and reporting of 'Just Transition' considerations in the transition planning process, especially the decarbonisation strategy and capital allocation.
- We believe biodiversity risks should be included in the transition plan. The transition to net-zero is inextricably linked to protecting biodiversity and ecosystems. If we are to manage the climate and biodiversity crises, companies must recognise and report on their material impact on nature and actions to prevent further nature loss and invest in high-integrity nature-based solutions.
- We recommend that companies report based on financially material issues to the business, but also to the environment, market and societal impacts.

We therefore propose the definition below, which incorporates the above considerations:

"A transition plan sets out how an organisation will adapt as the world transitions fairly towards a low carbon and nature resilient economy. It should set out a) high-level science-based targets (e.g. a net zero commitment and associated greenhouse gas reduction targets) that the organisation is using to mitigate climate risks, including a) biodiversity, b) verifiable and comparable interim targets and milestones, and c) actionable steps that factor in financially material issues to the business, environment, market and society that the organisation plans to take to hit those targets."

We agree with TPT's comment that the definition may evolve.

Q2. From your perspective, who are the key users of transition plans?
Q3. From your perspective, what are the key use cases for transition plans?

Given the interdependent nature of Q2 and Q3, we have combined the two into a single answer.

We believe that a climate transition plan should bring together everything a firm does in relation to climate change and a fair transition – essentially providing the firm's vision for the business in a low carbon economy, the pathway and the actions needed to get there.

From a Railpen perspective, we see six distinct user groups and use cases for climate transition plans:

a) **Investors.** These include asset owners and asset managers, especially those with net-zero commitments, who can use the transition plans to assess a firm's climate ambitions, credibility, potential risks and opportunities for holding companies in their investment portfolios. *Given the current poor data quality and availability, limited disclosure levels, and the highly complex and caveated nature of climate modelling, there are two use cases which unfold in a phased manner over time*
   - *a. The immediate use case is primarily limited to regulatory compliance for TCFD and risk management.*
   - *b. Over time as data quality, modelling, climate factor analysis, and outputs improve, this will be substantively embedded in the portfolio construction and active investment management.*

b) **Lenders** including banks, insurers etc., can use the transition plan to assess the depth and quality of borrower and client climate commitments. This information is for assessing a borrower's credit profile or, for sustainability-linked lending, to track progress.

c) **Regulators and rating agencies** can use transition plans to assess a firm's greenhouse gas reduction ambition level, credibility, and potential impact of climate-related financial risks on the firm's credit quality and risk-weighted capital

d) **Policymakers** can assess the extent of implementation of the nationally defined greenhouse gas reduction policies, targets and identify areas where clarity and intervention may be necessary

e) **Peer companies and suppliers in the value chain** can use transition plans to assess greenhouse gas emissions and reduction plans to identify the largest sources of Scope 3 emissions in the value chain. Peer companies and suppliers in the sector can use transition plans to reflect on their own progress, identify steps taken by peers and other players in the value chain and learn from the same

f) **Civil society** can use transition plans to identify and distinguish between entities that are actually implementing their greenhouse gas reduction plans versus those that are not.

This can serve to add pressure on entities not sufficiently ambitious in their targets and/or not achieving them

Q4. How should the TPT select which sectors to develop tailored transition plan templates for? Following that logic, what financial sub-sectors and real economy sectors should the TPT prioritise? In what order should these be addressed?

Railpen published its Net Zero Plan in July 2021, in line with the IIGCC NZIF. The NZIF requires Railpen to engage with companies that contribute 70% of financed emissions in material sectors (as specified by the EU taxonomy and NACE code classifications). The material sectors, as per the NACE codes, mainly include high emissions sectors like oil and gas, utilities, transportation, building materials, metals and mining.

We believe the TPT should prioritise the sectors specified as material emissions sectors as per the NZIF assessment of NACE codes from the EU taxonomy. To the extent investors are using other sector classifications and need more optionality and inclusion, other classifications, including “High Impact” sectors in GICS can be added as well. A combination of at least two of these classifications will encompass most real economy sectors, including oil and gas, utilities, transport, metals and mining, building materials, food and beverages, agriculture and consumer discretionary, amongst others.

In general, we recommend the following criteria to prioritise economy sectors:

- Classification by NACE codes and/or GICS as a ‘material’ or ‘high impact’ emissions sector
- Size of the sector’s share of total national greenhouse gas emissions (Scope 1, 2 and material Scope 3)
- Potential for current high emissions sectors that can contribute to an economy-wide transition
- Sector exposure to physical risk and the impacts and dependencies on biodiversity
- Need for decarbonisation guidance in the sector (i.e. sectors for which gaps currently exist)

In our view, financial services are a key contributor to financed emissions, especially Scope 3. The definitions, methodology and disclosure around Scope 3 emissions are evolving rapidly but remain poor at this time. We recommend prioritising the financial services sector and sub-sectors after the non-financial corporate sectors and phase it in line with the disclosure improvements around Scope 3 emissions from banks and insurers.

In the financial sector, sub-sectors and entities that direct substantial lending and have a significant influence on the real economy should be prioritised. More broadly, the contribution, influence and potential impact on emissions, especially Scope 3, still developing sector-specific guidance (e.g., under the GFANZ umbrella) and vulnerability to climate-related risks remains concerning. This leads us to recommend the prioritisation of commercial banks, insurers, asset managers and asset owners alongside the development of Net Zero and Scope 3 emissions methodologies, SBTI targets and more specific guidance on the sub-sectors.

Q5. Given the mandate set out in the TPT’s Terms of Reference, to what extent, and how, should the TPT consider issues beyond a firm’s contribution to an economy-wide decarbonisation? Why?

Q6. Which of these issues are ‘must-haves’ that need to be addressed in all transition plans, and which are ‘desirable’, which add depth or breadth but are not central to a transition plan?

Q7. Do you envisage any tensions between entity-level decarbonisation and economy-wide decarbonisation goals? If so, can you provide examples and any suggestions as to how the UK TPT may address these in its guidance?

Given the interdependent nature of questions 5, 6 and 7, we have combined the three into a single answer.

A firm’s contribution to the economy-wide decarbonisation is a key factor in determining the prioritisation of climate transition planning, for the firm, the sector and for the economy as a whole. The firm’s contribution to its own and the economy-wide decarbonisation, however, is dependent on several factors, including but not limited to its own emissions footprint and intensity, its current transition profile and net-zero alignment status, firm- and sector-specific risks and challenges to decarbonisation. Given these considerations, we strongly advocate that the following issues are considered ‘must-haves’ in transition plans, including but not limited to:

a) Current emissions profile of the firm,
b) Technology, policy and market risks faced by the firm from the transition,
c) Levers the firm has, its potential and actions to transition to a low carbon economy, and,
d) Longer-term vision of the business model in a low carbon economy

The above four elements form the crucial pillars for transition plan disclosure and the foundation for standardised preparation and user assessment of the transition plan. Given the resource involved in transition planning, we only recommend concise disclosures around the ‘Must Have’ elements of the plan. Additional available resources can be used to provide depth and breadth around these pillars.

There is potential tension between entity-level and economy-level decarbonisation in the following sense. If a large number of firms set out to achieve decarbonisation goals by selling their carbon intensive assets to another owner, this might achieve firm-level decarbonisation but not economy-level decarbonisation. This potential tension could be mitigated by a focus on real economy emission reductions, purposeful investor stewardship, and a recognition by corporates and investors of the risk of unintended consequences.

In terms of the UK TPT guidance addressing this potential tension, we refer to answers to questions 4, 15/16/17, 19/20/21.

Q8. What other financial or non-financial, mandatory or voluntary frameworks and processes are you aware of that the TPT should consider as it proceeds?

There are several available frameworks for transition planning and assessment, some of which are currently being developed and/or in consultation. Of these we would recommend that the TPT consider

- Railpen’s proprietary CRIANZA framework for climate risk and net-zero alignment assessment,
- IIGCC Net Zero Stewardship Tooklit,
- Climate Action 100+ Benchmark,
- Moody’s Carbon Transition Assessment Framework for users, especially for assessing non-financial corporate transition plans, and;

- the GFANZ framework, depending on the final agreed form when developed and available, for assessment of financial system transition plans.

Given the usage cases of transition plans are designed to allow investors, lenders, regulators, policymakers and rating agencies to assess climate risk and Net Zero alignment, we recommend a user-driven approach to the TPT framework with inputs from preparers on specifics of the sectoral templates.

Q9. Where would you prefer for companies to disclose information on their transition plans? Please explain your reasoning, including on how the suggested location relates to the intended audience.

As discussed in Q1, the intended audience of primary users for transition plans mainly involves investors, lenders, regulators, rating agencies etc. There are more than 40,000 companies globally in the listed equities universe alone, and adding private companies to the list would only increase that number significantly. Given the sheer volume of information that needs to be processed for transition plan analysis, assessment and scoring, it is essential that the format and location of disclosure is designed with the case for technology-enabled automation built-in.

We recommend aligning content in the TPT sector-neutral and sectoral templates with TCFD and ISSB disclosure rules to examine overlaps and maximise the ability to cross-reference disclosure where applicable. Depending on the jurisdiction of the firm, we recommend that the transition plan be embedded within the respective regulatory filings using terminology as standardised by ISSB and within the respective sections where the transition plan pillars are relevant. For example the “current emissions profile of the firm” can be included in the “Business” section of the annual report or SEC 10K and the “Technology, policy and market risks faced by the firm from the transition” can be included in the “Risk Factors” section of the SEC 10K. As climate disclosures are embedded more in the firm’s financial statements, the respective ‘Income Statement’, ‘Balance Sheet’ and ‘Cash Flow Statement’ will include transition-related disclosures. We recommend that when determining the sector-neutral framework and sectoral templates, to review and agree on standardised nomenclature and key phrases in conjunction with transition plan preparing entities. The standardisation of nomenclature and key phrases will enable the use of machine reading technologies like natural language processing (NLP), allowing for the rapid analysis and assessment of climate transition progress, identifying gaps and providing insights on key areas of challenge to be addressed that could accelerate the transition.

Q10. How prescriptive should the Sector-Neutral Framework be, recognising the need to balance flexibility in how firms disclose transition plans with more prescriptive templates that seek to facilitate comparability of firms’ transition plans?

We recommend that the sector-neutral framework should be broad and flexible and adhere to the design principles that accommodate the needs of preparers from various sectors in climate disclosure and balances it with user needs on transition assessment, analysis and aggregation of results into standardised decision-useful outputs. In this regard, we recommend that the sector-neutral framework be based on the broad four-pillar framework outlined in Q5 and that the sectoral templates be more prescriptive. Balancing a broad sector-neutral framework with prescriptive sectoral templates will allow us to capture the granular detail and differentiated transition pathways and actions across sectors while maintaining comparability under the umbrella of the four pillars of the sector-neutral framework.

Q11. Should the TPT seek to standardise the data and metrics used to communicate ambition and measure progress in transition plans? If so, what are the standards for data and metrics that you would recommend including in the Sector-Neutral Framework and in supplementary sectoral guidance?

We recommend standardising data and metrics to communicate ambition and measure progress in transition. We recommend two sets of standardised metrics for users and preparers respectively, and recommend linking these, as far as able, to existing metrics and targets required by TCFD and climate disclosure regulation, along with additional data and relevant decision-useful metrics, if needed.

For preparers, we recommend a set of disclosure metrics and targets which mainly include:

- Absolute emissions (Scope 1, 2 and material Scope 3)
- Emissions intensity (Scope 1, 2 and material Scope 3)
- Science-based targets (SBTi or internationally accepted best practice targets)
- Green revenues %
- Green capex %
- The EU and UK taxonomy provide additional detail on granular disclosure on the firm's business and activities, which preparers can use as a comprehensive disclosure reference.

For users, we recommend a set of assessment metrics which use the disclosure data and metrics to create user-specific metrics to objectively assess and compare transition plan disclosure and alignment. The key assessment metrics should include:

- Portfolio absolute emissions, emissions intensity and financed emissions
- Climate risk score of the firm (similar to Railpen's CRIANZA framework)
- Net Zero alignment score of the firm (similar to Railpen's CRIANZA framework)
- Portfolio alignment % (aggregating the Net Zero alignment scores across the portfolio)

Q12. Question for small and medium-sized enterprises: what specific challenges do you foresee for SMEs seeking to prepare or use transition plans? How can the guidance and framework prepared by the TPT address these concerns?

Not applicable to Railpen. However, we highlight that the broad and flexible nature of the sector-neutral framework may provide more latitude for thinly resourced small and medium enterprises to provide a basic and broad qualitative view on the transition that users can review and assess for alignment

Q13. Question for preparers only: If your firm does not already disclose information of the type outlined in this Call for Evidence, what are the reasons for that? For example, are there concerns about legal or possible market risks arising from disclosure? How could the work proposed by the TPT address these concerns?

The RPS, Railpen's ultimate client, covers a number of aspects of climate-related risks, strategy, risk management and capital allocation in its TCFD reporting. We highlight the key points to bear in mind when constructing the transition plan disclosure template:

- The template needs to appreciate and assist the preparer and user to contextualise climate transition risk within the overall scheme of material business and financial risks for any financial or non-financial corporate.
- While we recommend the transition plan be embedded in the regulatory filings, we highlight the need for the template format to understand and incorporate liability and

market risks pertaining to forward-looking disclosure overall and construct sectoral templates accordingly.

Q14. Transition plans provide an opportunity to ensure the benefits of the climate transition are widely felt by UK households and consumers. How can the guidance developed by the TPT balance the need to minimise costs whilst encouraging companies to develop strategies to maximise benefits for all?

Transition plans do provide an opportunity to ensure that the benefits of the climate transition are equitably felt by businesses, households, consumers and investors. As per our response to Q1, we believe that a holistic incorporation of financially material issues not just to the business but also to the environment, market and people is key to balancing cost minimisation and benefit maximisation for all.
These include:

- Incorporating the social impact of the climate transition in the form of 'Just Transition' considerations in firm decarbonisation and capital allocation,
- Disclosing and analysing biodiversity risks and opportunities and their effect on ecosystems,
- Highlighting key risks and effects on price stability of assets specific to the business and its supply chain in an attempt to capture and monitor systemic price stability risks.

Q15. Do you agree with the proposed principles? Why or why not?
Q16. Are there any principles that you would add to the list above? Why?
Q17. Which of these principles would you regard as 'must-haves' or as 'desirable'?

Given the interdependent nature of Q15, Q16 and Q17, we have combined them into a single answer.

The three proposed principles for the transition plan are to:

1) Align with an economy-wide net-zero transition.
2) Focus on concrete actions which emphasise the near term and are backed up by clear governance mechanisms.
3) Enable periodic reporting and verification in a transparent manner.

Railpen is in broad agreement with the key principles and sees all three as 'must-haves' in the transition.

We see the climate transition planning as a journey with the key stakeholders ranging from businesses, the environment, workers, communities, investors and lenders along with others. Hence, it is crucial to build and maintain the feedback loop between corporates and responsible investment teams, stewardship teams in particular. An objective assessment of transition plans, ongoing review of a firm's net-zero alignment status, identification of key areas of misalignment and communication and engagement on these between corporates and investors is a key bootstrapping mechanism that will help solidify and accelerate the transition in our view.

With this in mind, we would propose a fourth principle for transition plans as a 'must-have':

4) *Consider, evaluate and incorporate ongoing feedback from climate-related engagement, including firm, supply chain, lobbying and policy engagements, into the transition planning process.*

Q18. Principle 1 notes that a transition plan should cover the whole organisation. There may be challenges for internationally active firms in meeting Principle 1, given that different jurisdictions will have different economy-wide transition pathways. How can the TPT design its standard and guidance in a way that accommodates credible transition plans consistent with the broader strategy of a firm, but reflects differences between approaches taken in different jurisdictions?

We expect the ISSB/IFRS proposed standardisation of climate disclosure to address some of these cross-border considerations and challenges. However, economy-wide transition pathways by jurisdiction remain a challenge across the board for the climate transition. Even the IEA scenarios and pathways apply global carbon prices, policies and pathways across jurisdictions and make broad approximations around the same. It is an area in the transition space where rapid progress is being made but is also quite fragmented across countries and sectors.

In the climate space overall, Railpen believes that perfect cannot be the enemy of good. In the same vein, we would recommend a phased approach from the TPT to educate itself, the user base and ultimately use this to update the transition plan template. More specifically,

- In the first phase, the TPT can use corporate disclosure as an opportunity to extract and consolidate regional information and intelligence on the local policy landscape, energy mix, social and economic challenges. The sectoral templates can then be customised by geography to track this information.
- In the second phase, the development, aggregation and insights derived from this regional disclosure can be disseminated to users in the form of regional and sector reports. Users will benefit significantly from this disclosure which can also be utilised in regional pathway modelling and across firm and policy level engagements in the same sector and jurisdiction. The goal will also be for users, mainly responsible investment teams and lenders to be able to understand and engage with regional policy makers and governments to specifically target these issues.

Q19. Do you agree with the proposed elements? Why or why not?
Q20. Are there any elements that you would add to the list below? Why?
Q21. Which of these elements would you regard as 'must-haves' or as 'desirable' for credible Transition plans? In which instances should an entity assess materiality to determine whether an element is considered must-have and/or what level of disclosure detail is required? and why? Are you able to suggest alternatives which are both credible and practical?

Given the interdependent nature of Q19, Q20, Q21 and Q22, we have combined them into a single answer.

The principles used to select the elements included and the list of elements are laid out below for discussion and context. The elements are core building blocks of transition plans, and sub-elements add credibility and granularity.

TPT views the list of elements in the Sector-Neutral Framework as having to be sufficiently:

a. Comprehensive to include all the decision-useful information that external stakeholders require to assess the credibility of transition plans;
b. Specific to allow for the cross-sectoral comparison of key metrics;
c. Flexible to allow preparers to tailor transition plans to the needs and challenges specific to the preparing organisation; and

d. Concise to ensure that transition plans do not overwhelm users with unnecessary information and add an undue reporting burden on preparers

The main elements identified are:

a) Ambition
b) Target setting
c) Management activities and plans
d) Internal policies
e) Products and services
f) Engagement: Value chains/portfolio
g) Engagement: Public sector
h) Engagement: Industry peers
i) Measurement and monitoring
j) Skills, incentives and accountability
k) Governance, roles and responsibilities

Railpen is in agreement with TPT's view on the broad considerations and principles for element selection.

We agree with the elements selection above and encourage the action-oriented nature of the elements. However we highlight three additional elements as 'must-haves' to define the context for users, maintain consistency and comparability and balance these with the credibility of transition plans.

As per our response to Q5, Q6 and Q7,

a. The first key element we recommend is a **"Current Profile"** for the firm, which is a brief disclosure of the current business profile through a climate and net zero lens. This would include a description of the core business activities and their impact on the environment through its products, services and supplier value chain, along with current summary statistics on its absolute emissions, emissions footprint and activities undertaken to date to prepare for the climate transition.

   The key reason for the inclusion of the "**Current Profile**" element is to provide the overarching context and baseline normalisation. This can serve to balance an objective alignment assessment of the firm with consistent benchmarking and comparison of progress across the elements and sub-elements

b. The second key element we recommend is a **"Transition Risks"** for the firm, which is a brief aggregation of risk factors that the firm faces from policy, technology and market risks from the transition to a low carbon economy. This is in line with what companies report in the "Risk Factors" section of their regulatory filing but very much focused on climate transition risks.

   The key reason for the inclusion of "**Transition Risks**" element is to provide an aggregate representation of the risks a firm is facing in the transition to a low carbon economy. This also provides additional context, priority and baseline normalisation for users.

c. The third key element we recommend is a **"Pathway"** for the firm. This is a brief description of the firm's view and blueprint for the long-term evolution of its business model into a low-carbon economy. This can be viewed as an extension of the "Management activities and plans" element but has a much longer time horizon and highlights the firm's vision for success in a low-carbon economy. This could be in line which the "Business" section currently within regulatory filings and annual reports. This may need feedback and review around legal risks around forward-looking statements and could be obtained directly from preparers for their thoughts.

The key reason for the inclusion of the "Pathway" element is to prompt preparers to incorporate climate transition into their business strategy and for users to be able to assess this vision along with management activities and plans and their credibility.

Railpen is part of two workstreams within the TPT. We remain very willing to continue to contribute our internal expertise, including further detail on Railpen's CRIANZA framework and approach. We think this could significantly benefit the shaping of corporate and investor transition plans.

We hope that this response has been of interest. Meanwhile, we will be happy to discuss further any of the issues raised and suggestions provided above.

Yours sincerely,

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